

Testimony of Brad Williams to the Senate Transportation Committee

Thank you Mr. Chairman and members of the committee; my name is Brad Williams with the Detroit Regional Chamber. The Detroit Regional Chamber has over 20,000 members and affiliates that employ over three-quarters of a million workers in metropolitan Detroit. Our mission statement is "To power the economy of Southeast Michigan." The Chamber strongly believes that an effective transportation system is a vital element in building a successful 21st Century economy in metropolitan Detroit and the entire state.

I appreciate the opportunity to share the Chamber's perspective on our transportation funding and the entire transportation system. We are proud of our longtime and well known advocacy on behalf of the New International Trade Crossing, which is our top legislative priority for the coming year. It is important to note however, that our advocacy in favor this issue is part of a larger plan called "Translinked," which ties back to our mission statement.

Before I get to our perspective on funding, I do want to briefly discuss our Translinked program, which I believe highlights the need for investment in our system. I have shared some written information on the Translinked program with you and would be happy to come back at a future date with our new Senior Director of the Translinked program to provide a more detailed overview. Put simply, Translinked is a part of a comprehensive economic development program at the Chamber that aims to capitalize on metro Detroit's existing assets and create a vibrant transportation, logistics and distribution hub which will create jobs in these industries and help preserve the existing manufacturing base.

Over the course of the 20th Century metro Detroit grew into an industrial powerhouse that was the envy of the world. One often overlooked side-effect of that economic growth was superior transportation infrastructure which is costly to maintain, but allows Michigan companies certainty as they implement just-in time delivery and has potential benefits as Michigan captures and increasing share of global trade. We have a superior network of freight rail lines, world class airports and redundant highways. In some cases, redundant highways can prevent challenges to the governments charged with maintaining them, but in our case it provides options and certainty for a company's logistics department. For example, an auto parts manufacturer in Flint attempting to deliver parts to a plant in Dearborn can be relatively sure of its ability to deliver at a time certain due to the fact that the company has two options to bring its parts south. I-75 would likely be the natural choice for the parts supplier, but in the event that there is construction, congestion or an accident, that supplier has the option using US-23 as an alternate route. Compare this with a trip between Chicago and Milwaukee, which offers only I-94 as a realistic route between the two cities.

On top of our superior infrastructure, Michigan is well placed in North America to be a top destination for global trade. This may seem counter-intuitive if you look at a map of the United States. We all know that Michigan is two peninsulas and trade coming across either the Atlantic or Pacific has no reason to come

through Michigan unless it is a final destination. But, when you include all of North America, you see that Michigan is right in the center of it all. This is even more apparent when you realize that ports in Halifax on Montreal provide distinct advantages to European shippers and those using the Suez Canal. Even without considering congestion and U.S. ports, Halifax and Montreal can shave up to a day's time off of shipping time across the Atlantic. Most of this trade is destined for U.S. markets. Detroit, particularly with the New International Trade Crossing, is the most likely point of crossing into the United States. The trade comes off the ships in the large shipping containers we are all familiar with and placed on flat-bed trucks or train cars and sent to an inland destination to be removed from the shipping containers and distributed to final destinations. Currently, much of this work happens in Chicago or Columbus, in fact trade may go through Detroit to Chicago only to be distributed back to Detroit. With all of the infrastructure advantages I previously mentioned, Michigan can and should pursue this high wage industry and Translinked was created to do just that. Translinked will advocate for building out and maintaining our infrastructure while using our natural assets to attract the transportation, logistics and distribution industry.

Clearly, maintaining and building out this infrastructure is not a cheap proposition. That is why the Chamber has long advocated for increased investment in our transportation system. In 1997 the Chamber was a leading advocate in the successful drive to increase the gas tax. Fourteen years later we again are supportive of efforts to increase Transportation funding. We support an increase in the gas tax. While the Governor has been able to leverage increased Canadian participation in the New International Trade Crossing towards matching federal funds in the short term, the issue of matching these funds in the long term should be the minimum goal. The Chamber position is that increased funding should:

- Focus on regional and state economic impacts
- Increase throughput and efficiency of the system
- Decrease accidents
- Decrease environmental impacts
- Increase business attraction
- Increase logistics capabilities
- Continue to emphasize asset management techniques

Also, as a long time supporter of a first class transit system in metro Detroit, we believe that new transportation funding should focus on all modes of transportation including transit and work to end the long time habit of legislators to raid the Comprehensive Transportation Fund for distribution to other priorities.

Besides the traditional funding mechanisms that the Chamber and others have advocated for in the past, the Chamber strongly encourages the Legislature to embrace Public Private Partnerships. Most often, P3's are discussed in relation to the new bridge to Canada. This is an excellent example of how P3's can work, but they can also be put to use to bring new private sector money into the system to execute major

infrastructure projects that are outside of the state's ability to build with current funding streams. Two perfect examples mentioned earlier are expansions of I-75 and US-23. Both already face significant amounts of congestion at peak times and are prime candidates for additional lanes. MDOT financial limitations make expansion in either corridor unlikely in the future. Bringing in the private sector to finance the projects and allowing them a mechanism to recoup their costs is an attractive option to complete these projects.

All of the new money notwithstanding, the Chamber does support efforts to increase efficiency within state government and make sure that transportation dollars are funding transportation projects. The Chamber has convened a coalition of over 25 of Michigan's leading business organizations advocating for structural reforms that will deliver government services at the lowest cost possible. Our coalition supported legislation passed last year that reformed the retirement system for state employees and encouraged long-term state employees with higher salaries to retire. Further, we support legislation that would require all state and local government employees to pay 25% of their annual premium for health care and efforts to pool all government employee health care to reduce health care costs across state and local government including MDOT, County Road Commissions and municipal departments of public works, therefore assuring that more transportation dollars go to transportation projects. Finally, we support a comprehensive review of all Interdepartmental Grants of state transportation dollars to make sure that any money claimed by either the Secretary of State or the Department of Treasury actually meets and does not exceed the costs incurred.

Thank you Mr. Chairman for your time, and I would be happy to take any questions.



Designing and Delivering the Global Supply Chain Network

TRANSLINKED
driving global connectivity

Detroit: The Detroit/Toledo/Windsor trade corridor stands ready to assist you with moving goods throughout the Midwest. The region has the capacity, skills and world class infrastructure to move products effectively and efficiently throughout the Midwest and North America. In 2009, Michigan ranked as the 9th largest exporting state in the U.S.

Our airports offer non-stop flights to more than 160 destinations. Wayne County's Detroit Metropolitan Airport serves as a major hub for Delta Air Lines. Home to four of the seven Class I railroads operating more than 3,600 miles of track providing access to all North American markets. The Ambassador Bridge is the busiest land border crossing in North America.

Over 130 million North American residents within 500 miles

Reliable Consistent Experienced Premier Service Green Best Value in the U.S.

Serving over 200 countries on every continent around the globe

translinkeddetroit.com

Robust trade portal

The Detroit area has over 100 years of manufacturing and trade expertise. Offering connections to both the United States and Canadian ports, this area provides access to hundreds of markets through a variety of routes. Such variety places Detroit in the top five export markets almost every year. With approximately \$200 billion per year in cross-border movement, Detroit offers the premier location on the U.S. and Canadian border to move goods.

- Over 750 million tons of steel imported through the Port of Detroit annually
- Michigan moves more commodities on its highways than any other state
- Detroit Metropolitan Airport
- Four Class 1 railroads serve the Detroit region
- Nine Intermodal facilities housed in the region
- 70 percent of the freight in the Detroit region is handled by a well-connected highway system

Michigan Exports by Country

Source: International Trade Administration.

Partner 2009	(in thousands)
World Total	\$32,533,939
Canada	\$15,749,509
Mexico	\$5,224,600
China	\$1,368,017
Germany	\$1,259,035
Japan	\$1,239,621
Saudi Arabia	\$568,135
United Kingdom	\$544,490
Belgium	\$517,248
South Korea	\$506,353
France	\$433,866

Economic Impact of the Detroit/Windsor Border

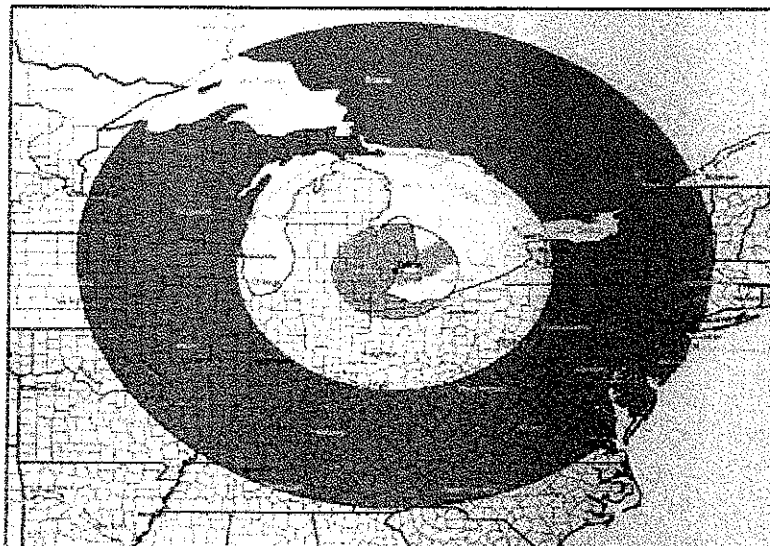
- U.S. trade with Canada averages \$1B per day, more than the U.S. trade with the entire European Union.
- Michigan accounts for more than 50 percent of the U.S. trade with Canada, with almost all of that handled in Detroit & Port Huron.
- In 2008, Canadians and Michigan residents crossed the border almost 2.8 million times.
- In 2007, approximately 3,500 Canadian health care workers commuted across the border for work daily.
- In 2008, the Detroit MSA exported \$44.5 billion, accounting for 72.4% of Michigan's total merchandise exports.

Source: Southeast Michigan Council of Governments and the U.S. Department of Commerce, International Trade Administration.

Logistics Advantages

The Detroit/Toledo/Windsor trade corridor has a unique advantage in that it's an international trade corridor boasting trade cooperation on both sides of the Detroit River. The Detroit port sits 988 miles from Halifax and 618 miles from Montreal making our region ideal for entering into the U.S. and moving goods throughout the Midwest.

New and expanding companies need a well connected and efficient transportation system. The Detroit region serves as the busiest northern border crossing into Canada and sits along the St. Lawrence Seaway. The region is centrally located in one of the largest economic and trade corridors, moving more than \$197 billion in 2008 through its borders. The region is home to a world class transportation, logistics & distribution center. Regional Detroit businesses exported more than \$44 billion in good in 2008.



Source:
Map of MI
Scale 1:500,000 & US Census

Counties and Area Within a
500, 250 and 100 Mile Radius From Detroit MI

Intermodal Assets

The Detroit region's transportation, distribution and logistics industry is supported by seven international border crossings and ranks as the busiest northern border crossing in North America. Within the region there are two bridges, two rail tunnels, two truck ferries and the Detroit-Windsor Tunnel. In addition, the region is supported by nine airports and air fields, three marine ports, eight rail yards.

Water Ports

- The Detroit, Toledo and Windsor ports are among the largest along the St. Lawrence Seaway.
- The Detroit Port is the second largest customs port of entry in the United States by value of goods.
- The Detroit Port is responsible for importing more than 750 million tons of steel annually.
- The Port of Windsor is made of more than 13 miles of shoreline and is the third largest Canadian Great Lakes port.
- The Toledo Port is comprised of 15 marine terminals, which handle nearly all-types of commodity transported via waterways.

Interstates

The trade region is supported by 11 interstates that reaching from Quebec, Canada to Mexico and connect our region to both the east and west coasts via Detroit. Within Southeast Michigan there are nearly 4,900 truck route miles of highways and roads.

With truck traffic expected to double by 2020, the Detroit trade corridor is positioned to assist trucking companies with lowering their costs associated with truck delays in high congested markets such as Chicago.

Trucking

- 1st in surface merchandise trade with Canada, imports & exports 2007
- 1st in Incoming trucks from Canada 2006
- 1st in loaded incoming trucks from Canada 2006
- 3rd in surface merchandise trade with Mexico, imports & exports 2007

Intermodal Facilities

- There are nine intermodal freight facilities spread throughout the Detroit region.
- More than 70% of the freight traffic in the region is handled by the trucking industry.

Bridges

- Detroit and Port Huron are the largest and fourth busiest border crossings in North America.
- Roughly 10,000 trucks cross the Ambassador Bridge each day.
- The Blue Water Bridge accounts for nearly 14% of truck trade between the United States and Canada.

Rail

Through service agreements all major railroads serve the trade corridor and are able to ship throughout North America.

- The Detroit Region is served by four of the seven national Class I railroads in the United States, unique to only 1/3 of the United States.
- There are more than 3,600 miles of track in Michigan and 5,200 miles of track in Ohio.
- Three of the four railroads have intermodal terminals in regional Detroit.
- Toledo ranks as one of the Top 5 rail hubs in the United States.
- 1st in incoming rail full rail container crossings from Canada 2006
- 1st in incoming bus crossings from Canada 2006
- 2nd in incoming trains from Canada 2006
- 2nd in rail tons metallic ores originated (20.2% of U.S. total)
- 3rd in rail tons metallic ores terminated (17.9% of U.S. total)

Air

The economic region is home to nine airports with more than \$1.1 billion annually in cargo and nonstop service to more than 160 destinations.

- Within the 10-county Detroit region there are five major airports and several airfields.
- Wayne County's Detroit Metropolitan Airport ranks as the 11th busiest airport in North America and 15th in the World for airport operations. Detroit Metro annually has more movements than JFK or Laganardia in New York and Boston Logan Airport in Massachusetts.
- Toledo Express Airport has the only heavy freight air sorting complex in North America and offers weekly cargo flights to Canada, Mexico, Australia, Germany and the Middle East.
- DH Schenker's, formerly BAX Global, global hub is located at Toledo Express Airport.

Top Value Talent

The Detroit region has over 100 years of established supply chain system design and execution experience. Automotive production, assembly and distribution accounts for the most complex supply chain system in the world.

Michigan Ranked 2nd in the number of degrees completed per capita in the logistics field.

- Michigan State, University of Michigan and Western Michigan University ranked in the top 20 schools in the country.
- 25 programs at Michigan-based higher-learning institutions.
- Approximately 300,000 people employed in the Detroit area working in logistics.
- A report by D&B lists 815 logistics offices in the region.
- Talent as a percentage of total workforce is 11.1% for 2009.
- Workforce was 2,103,000 and the number employed in the industry was 220, 234 from our fact sheet. That's more than twice the number of people working in automotive manufacturing.
- 38 of the top 100 have offices or facilities in the region.

Talent Forecast, 2009 - 2019

NAICS Code	Description	2009 Jobs	2019 Jobs	% Change	2009 Est.
42	Wholesale Trade	103,252	103,392	0%	12,933
48-49	Transportation & Warehousing	88,802	94,057	6%	3,404
53	Real Estate, Rental & Leasing	8,233	11,381	38%	263
54	Professional & Technical Services	28,138	42,652	52%	2,699
56	Administrative & Waste Services	1,206	1,034	(14%)	82
Total		229,631	252,516		19,381

Source: Economic Modeling Specialist Inc.

Real Estate

Companies locating in Detroit have access to over 60 million square feet of modern state-of-the-art available space.

- Average annual triple net rental rate \$3.77 per square foot.
- MEDC offering industry property tax cuts of 65%.

Office and Industrial Rental Rates , Midyear 2010

Market	Office Class A	Office Class B	Industrial Rental
Atlanta	\$21.76	\$16.75	\$4.01
Buffalo	\$18.21	\$14.12	\$4.24
Chicago	\$26.66	\$20.79	\$4.92
Cleveland	\$21.60	\$16.87	\$3.70
Columbus	\$18.31	\$15.36	\$3.20
Detroit	\$22.18	\$18.50	\$4.61
Indianapolis	\$19.20	\$16.69	\$4.34
Kansas City	\$21.29	\$17.34	\$4.25
Louisville	\$20.02	\$14.86	\$3.57
Memphis	\$19.93	\$16.22	\$2.78
Minneapolis	\$18.81	\$15.43	\$5.88
Pittsburgh	\$21.67	\$17.43	\$4.97

Source: CoStar National Office Market Report.

Tax Incentives

Tax Abatements

- **Industrial Property Tax Abatement** - Property tax incentives are available to eligible businesses to renovate or expand aging manufacturing plants or to build new facilities.
- **Renaissance Zones** - Select zones across Michigan that are virtually free of state and local taxes for businesses located within their boundaries.
- **Tool & die Recovery Zones** - As part of the Michigan Renaissance Zone, the Michigan Strategic Fund (MSF) Board is allowed to designate up to 25 Tool & Die Renaissance recovery Zones.

